

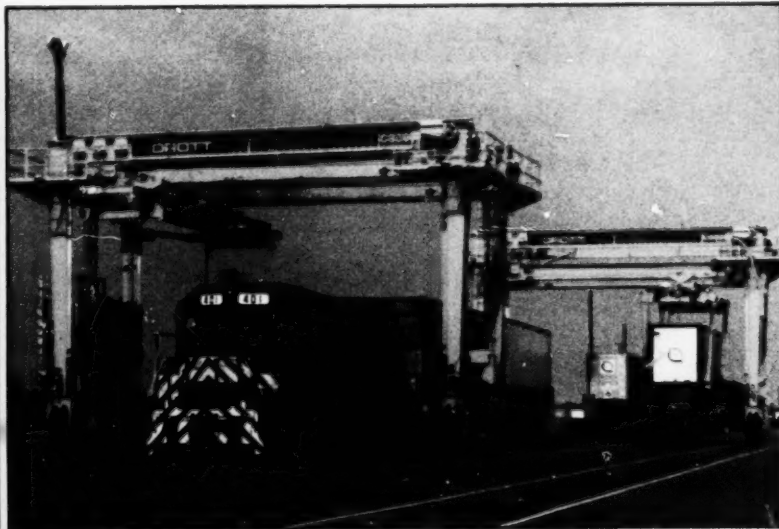
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**Illinois Central Gulf:  
Slimming down and shaping up**

November 26, 1979

# RAILWAY AGE

**The  
great  
railroads**



# RAILWAY AGE

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# Inside



LUTHER S. MILLER

## THE GREAT RAILROADS: FEC

Edward Ball got into the railroad business in the early 1930s when he bought the run-down Apalachicola Northern for the Alfred I. duPont Estate. The St. Joseph Telephone & Telegraph Co. was part of the package. "We had to rebuild the railroad and buy new equipment," he said later. "The telephone company had 12 telephones, all used by the railroad. Every time a wet razorback hog leaned against a telephone pole the line went out temporarily."

Rebuilding and modernizing the Apalachicola Northern whetted Ball's appetite for bigger game, and in 1941 he began buying up the defaulted mortgage bonds of the Florida East Coast Railway. At the outset he paid as little as 6½ cents on the dollar, though the price rose as demand grew. Ball finally acquired more than 51% of the bonds in the name of the duPont Estate's St. Joe Paper Co. but was denied control of the railroad for 20 years. The Atlantic Coast Line also wanted control of the FEC, and Ball and ACL President Champion McDowell Davis engaged in 17 years of bitter litigation that cost each around \$5 million. One day both were attending a hearing at Palm Beach and entered an elevator together. Davis pushed a button that sent the elevator in the wrong direction.

"Mr. Davis," said Ball, "you run an elevator just like you run a railroad."

ACL's reorganization plan for FEC was turned down, but the bankruptcy court still refused to turn the railroad over to Ball. So he applied to the trustees for the job of general manager of FEC. Taken aback, the trustees warned that they could not pay more than \$25,000 a year. Ball signed on for \$1 a month.

Ball introduced modern methods on the FEC, including mechanized m/w practices, and by the time the St. Joe Paper Co. finally won control of the railroad with a reorganization plan that became effective Jan. 1, 1961, he had cut employment from 3,300 to 2,200. When the non-ops struck the railroad two years later, Ball said he realized that "I had just knocked a little of the bark off; I hadn't got down to the wood."

What happened in the ensuing 17 years—how Ed Ball finally "got down to the wood" by defying the unions and writing a set of work rules like none the industry has ever seen—is the subject of this issue's cover story (p. 26).

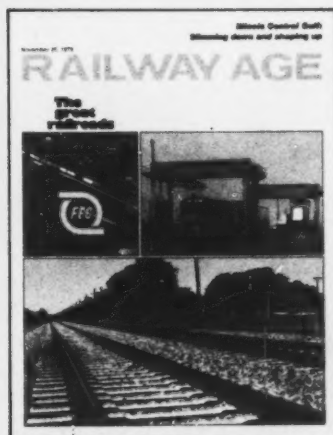
## CAN OTHER RAILROADS DO IT?

The extraordinary turnaround that FEC experienced after it shook off the work rules under which most railroads still labor has led many people to wonder why others have not followed FEC's lead. There are, of course, many reasons for this. FEC has a relatively simple operation on an almost straight line between Jacksonville and Miami. It was (and is) tightly held by a rich parent company that could take risks unacceptable to more widely held, less affluent companies. It operates in a part of the South where the labor climate is somewhat milder than in other parts of the land. It does not have many of the problems—e.g. high terminal costs—that vex other carriers. But FEC President W.L. Thornton and Senior Vice President Ray Wyckoff believe other railroads could travel a long way down the same road if they would only face up to the fact (as they see it) that industry's big problem is low labor productivity. Thornton thinks railroads rely too much on Washington for bail-outs. "Today," says Thornton, "there are no consequences for failure."

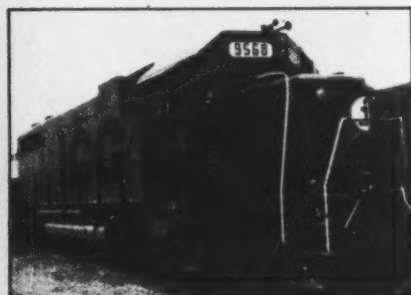
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## FEATURES



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### 26 The great railroads

A railroad that specializes in low rates and high levels of service, the FEC today is one of the most modern and prosperous in the world—all because (say its managers) it stood up to the unions and now has, in effect, only one work rule: a fair day's work for a fair day's wages.

### 34 ICG: Slimming down, shaping up

Illinois Central Gulf officers, and those of parent IC Industries, strongly reject suggestions that the railroad is in deep financial water. Says ICI President William B. Johnson: "The railroad has been solvent, is solvent, and I expect it to stay that way."

### 43 Are shippers ready for rate freedom?

A.T. Kearney's James S. Heuer, who feels that there are relatively few "captive shippers," recommends that shippers learn more about costing, and re-examine their ways of doing business in order to use deregulation to their own advantage.

### 46 Railview: The case for the Firewall

Norfolk & Western's President John P. Fishwick restates the case for splitting up Conrail—into a potentially profitable Conrail West and an eastern terminal area that might require continuing federal subsidies.

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COVER: Clockwise, from the left—an FEC piggyback train; loading at Bowden Yard, Jacksonville; a stretch of track near Miami.

# Market

## CARLOADINGS

Loadings of revenue freight in the week ended Nov. 3 totaled 487,449 cars, according to the Association of American Railroads. This was a decrease of 21,977 cars, or 4.3%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended Nov. 3 are estimated at 18.3 billion, a decrease of 1.8% below the corresponding week of 1978.

## REVENUE FREIGHT CARLOADINGS

| Commodity                              | Nov. 3<br>week | Oct. 27<br>week |
|----------------------------------------|----------------|-----------------|
| Grain                                  | 31,856         | 32,563          |
| Farm products                          | 5,656          | 6,110           |
| Metallic ores                          | 33,204         | 32,654          |
| Coal                                   | 15,786         | 117,112         |
| Crushed stone, gravel & sand           | 11,437         | 17,671          |
| Nonmetallic minerals                   | 15,532         | 17,577          |
| Grain mill products                    | 18,619         | 18,962          |
| Food and kindred products              | 19,432         | 20,050          |
| Primary forest products                | 20,836         | 21,580          |
| Lumber & wood products                 |                |                 |
| (except furniture)                     | 11,228         | 11,286          |
| Pulp, paper & allied products          | 22,187         | 22,018          |
| Chemicals & allied products            | 28,523         | 28,105          |
| Petroleum products                     | 5,883          | 5,971           |
| Stone, clay & glass products           | 19,062         | 19,702          |
| Coke                                   | 5,695          | 5,790           |
| Metals & products                      | 19,640         | 17,577          |
| Motor vehicles & equipment             | 22,247         | 21,920          |
| Waste & scrap materials                | 13,829         | 13,280          |
| Forwarder & shipper assn. traffic      | 13,169         | 13,175          |
| All other carloads                     | 47,236         | 47,667          |
| LCL traffic                            | 392            | 427             |
| <b>Total cars loaded</b>               | <b>487,449</b> | <b>491,197</b>  |
| Cumulative total:                      | 1979           | 1978            |
| 44 weeks                               | 20,366,994     | 19,718,989      |
| Estimated revenue ton-miles (billions) |                |                 |
| 44 weeks                               | 762.5          | 722.9           |

## PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended Oct. 27 totaled 38,173 cars (2.1% below the corresponding 1978 week) and 68,495 trailers or containers (up 2.3% from 1978). Cumulative volume for the first 43 weeks of 1979 is 1,549,337 cars (up 1.9% from 1978) and 2,735,695 trailers or containers (up 4.1% from 1978).

## CANADIAN CARLOADINGS

Canadian railway revenue freight loaded in the seven-day period ended Oct. 21 totaled 5.95 million tons (up 7.1% from 1978). Cars loaded totaled 87,985 (up 6.1% from 1978). Cumulative loadings for 1979 were up to 212.1 million tons (up 10.5% from 1978).

● **Amtrak.**—A two-year improvement program calls for acquisition of 200 new low-level cars, to be ordered early in 1980 and estimated to cost nearly \$200 million; 59 new diesel locomotives—30 in 1980 and 29 in 1981—at a cost of \$50.9 million; and 47 AEM7 electric locomotives (of which 30 have already been ordered), valued at \$57.2 million. The program also calls for conversion of older, conventional cars to all-electric heating and air conditioning at a cost of \$62.5 million. Approximately \$43.8 million will be spent on maintenance facilities, and \$30.9 million is earmarked for station improvements and on-board service facilities.

● **CP Rail.**—Ordered 200 newsprint boxcars and 250 coal gondolas from National Steel Car at a cost of approximately \$23 million, for delivery in late 1980.

● **Seaboard Coast Line Industries.**—Equipment program for 1980 calls for acquisition of 6,300 new freight cars and 115 new diesel-electric units at a total cost of \$370 million. This compares with 1979 new-equipment outlays totaling \$248 million. The 1980 freight car program includes 2,000 covered hopper cars to be used for hauling phosphate, grain, and other bulk commodities; 2,000 boxcars, principally for hauling paper, auto parts, and general merchandise; and 2,300 open-top hopper cars for hauling coal. SCL will acquire 54 four-axle road freight locomotives and 61 six-axle, heavy tonnage units.

● **Freight cars and locomotives.**—The following report has been received from the AAR and the ARCI:

### DELIVERED

|                               | September<br>1979 | 1978         | August<br>1979 | Nine Months<br>1979 | 1978          |
|-------------------------------|-------------------|--------------|----------------|---------------------|---------------|
| Built new by carbuilders      | 6,618             | 5,533        | 7,753          | 61,965              | 43,681        |
| Built new in RR shops         | 250               | 409          | 298            | 3,462               | 3,577         |
| Built new—total               | 6,868             | 5,942        | 8,051          | 65,427              | 47,258        |
| Rebuilt                       | 94                | 3            | 104            | 1,516               | 1,290         |
| <b>TOTAL DELIVERED</b>        | <b>6,962</b>      | <b>5,945</b> | <b>8,155</b>   | <b>66,943</b>       | <b>48,548</b> |
| Locomotives (new and rebuilt) | 269               | 80           | 159            | 1,381               | 920           |

### ORDERED

|                                |               |               |              |               |               |
|--------------------------------|---------------|---------------|--------------|---------------|---------------|
| To be built new by carbuilders | 10,881        | 8,911         | 7,519        | 95,363        | 96,080        |
| To be built new in RR shops    | 850           | 1,650         | 1,200        | 3,663         | 2,150         |
| To be built new—total          | 11,731        | 10,561        | 8,719        | 99,026        | 98,230        |
| To be rebuilt                  | 155           | 0             | 191          | 800           | 122           |
| <b>TOTAL ORDERED</b>           | <b>11,886</b> | <b>10,561</b> | <b>8,910</b> | <b>99,826</b> | <b>98,352</b> |

### ON ORDER AND UNDELIVERED

|                                | October 1<br>1979 | 1978          | Sept. 1<br>1979 | Average Backlog<br>1979 | 1978          |
|--------------------------------|-------------------|---------------|-----------------|-------------------------|---------------|
| To be built new by carbuilders | 121,375           | 81,423        | 117,305         | 113,337                 | 55,508        |
| To be built new in RR shops    | 6,512             | 5,777         | 5,912           | 5,626                   | 5,394         |
| To be built new—total          | 127,887           | 87,200        | 123,217         | 118,963                 | 60,902        |
| To be rebuilt                  | 171               | 108           | 110             | 111                     | 550           |
| <b>TOTAL ON ORDER</b>          | <b>128,058</b>    | <b>87,308</b> | <b>123,327</b>  | <b>119,074</b>          | <b>61,452</b> |
| Locomotives (new and rebuilt)  | 677               | 891           | 723             | 1,025                   | 726           |

